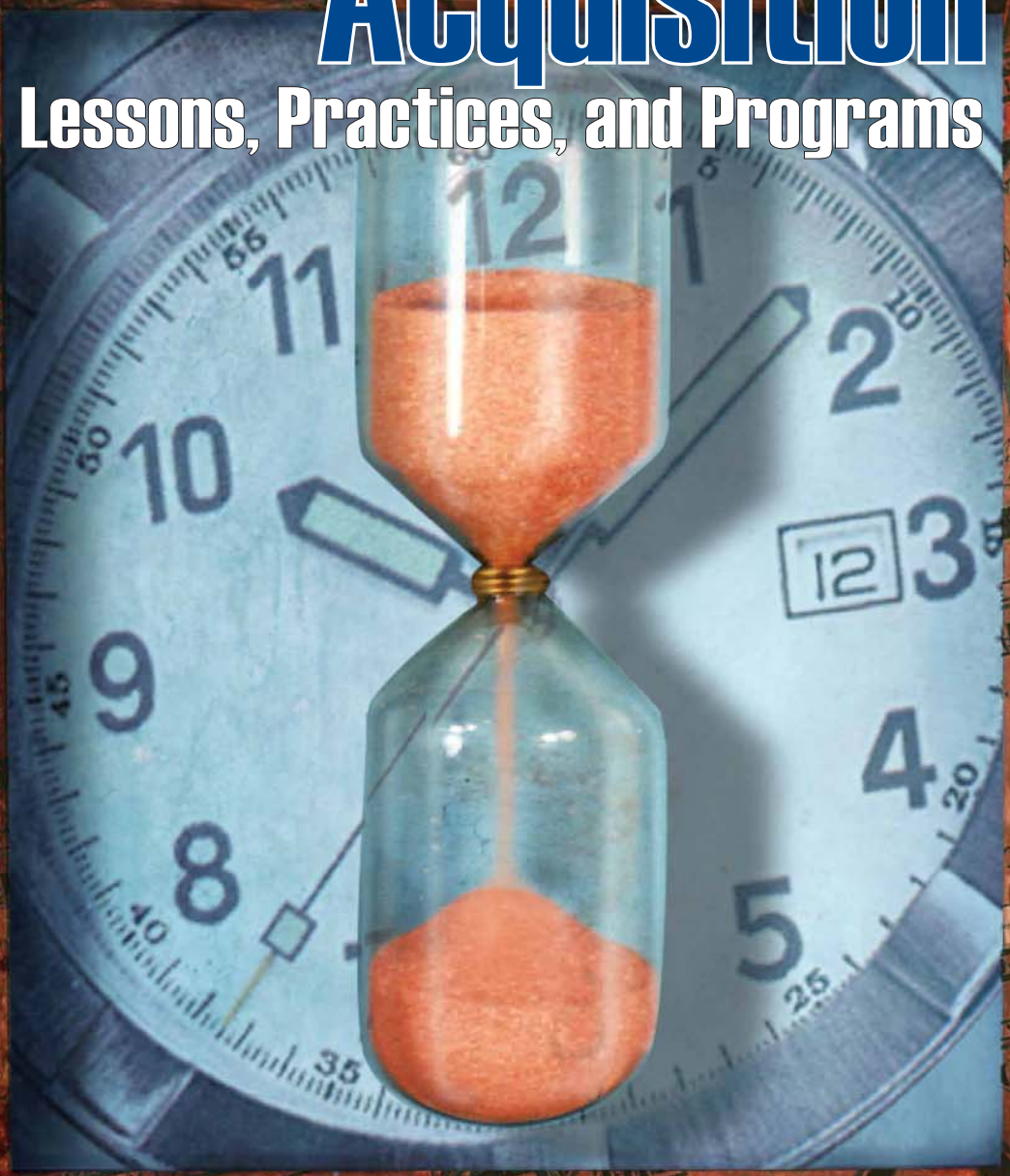
Contracting and Acquisition

Lessons, Practices, and Programs



also in this edition:

Flyaway Costs Versus Individual Components of Aircraft: An Analysis

AFMC/XPS Logistics Analysis

XLog21—Purchasing and Supply Chain Management

Excellence in Writing Contest

http://www.aflma.hq.af.mil/lgj/Afjlhome.html

AIR FORCE JOURNAL of LOGISTICS

Volume XXVII,
Number 4
Winter 2003

eLog21—Purchasing and Supply Chain Management

Wing Commander Mark Leatham, RAAF

Sustainment Transformation

The Air Force logistics community is facing ever-increasing challenges to providing faster and more reliable combat support to the warfighter in the next-generation battlefield. To overcome these challenges, Air Force logistics fundamentally must transform warfighter sustainment operations by leveraging information and process improvements across the Air Force enterprise. To achieve significant operational efficiencies and drive down support costs, the Air Force has launched the logistics transformation initiative eLog21 (Expeditionary Logistics for the 21st Century), and the logistics community, in support of eLog21, is transforming through its initiatives: the Purchasing and Supply Chain Management (PSCM) Transformation and Depot Maintenance Transformation (DMT).

To most effectively support the warfighter, the Air Force eLog21 effort will transform key areas of logistics operations by adopting an enterprise-wide, end-to-end focus on customer support to deliver best-in-class performance. The PSCM transformation will improve the availability of parts to the warfighter, reduce the cost to purchase parts, and improve product quality and delivery. This will be accomplished by improving and integrating the logistics communities purchasing and supply processes into a single, seamless process that spans the Air Force supply system. The DMT effort will transform depot maintenance by reengineering the business processes to provide affordable, on-time support to our customers. All efforts will require radical change in how we plan, source, execute, and deliver support to the warfighter.

The PSCM and DMT initiatives, collaboratively known as sustainment transformation, will position the Air Force to meet the changing demands of tactical warfare now and into the foreseeable future. Senior Air Force leadership has committed, in writing, to support the transformation of logistics functions and operations. To focus and motivate the logistics community to achieve the envisioned sustainment transformation, logistics commanders have challenged senior leadership to aim for the following stretch performance goals:

- 20-percent increase in weapon system availability (PSCM and DMT).
- 20-percent decrease in support costs (PSCM).
- Reduce Air Force Materiel Command (AFMC) depot maintenance costs by 10 percent each year (DMT).
- 50-percent decrease in cycle time (PSCM).
- 100-percent on-time aircraft delivery (DMT).
- For exchangeables, meet customer requirements within planned turnaround time.
- For aircraft due-date performance, deliver 90 percent of aircraft per original MRRB plan, with the remaining 10 percent delivered at 100 percent per initial Aircraft and Missile Maintenance Production Report.
- Superior quality (DMT).
- Reduce customer-reported defects by 25 percent each year (external).
- Reduce workmanship defects by 25 percent each year (internal).

Purchasing and Supply Chain Management

PSCM has been tasked to improve and integrate purchasing and supply processes. PSCM will transform how we plan, contract, work with our suppliers and customers, manage assets, and respond to the warfighter's materiel needs in a more agile manner.

The PSCM team has developed processes; now they are defining the technology, organizational structure, and skills to enable the processes. PSCM is an *enterprise wide* effort, which means it is a collaboration of the three air logistics centers (ALC), Headquarters AFMC, and the regional supply squadrons and covers the Materiel Support Division, equipment items, and associated engineering services.

Over the last 9 months, the PSCM Integrated Process Team has made steady progress in analyzing the current processes, identifying improvement opportunities, designing new Air Force-wide business processes, and launching PathFinder commodity councils. Using the Supply Chain Operations Reference (SCOR) model, the PSCM team is identifying process changes throughout the purchasing and supply chain management cycle, beginning at the initial customer request for a part and ending when the customer uses that part. The SCOR model was developed to describe business activities associated

with all phases of satisfying customer demands. The PSCM model uses the five primary management processes of Plan, Source, Make, Deliver, and Return and then augments these basic SCOR building blocks with Process Enablement (information technology [IT], HR, Finance, and Knowledge Management), Strategic Planning, Customer Management, Repair, and Engineering Configuration Management. Thus, the PSCM model outlines the high-level processes required to manage the entire To-Be Air Force supply chain.

The team has mapped As-Is processes in the areas of demand planning, customer relationship management, supplier relationship management, and strategic planning. The team has conducted targeted root-cause analysis, defined and quantified high-impact issues across current processes, and identified numerous opportunities for process improvement.

To address these and other issues, the PSCM Team developed a To-Be model for future purchasing and supply processes. To reduce overall process time from forecasting to delivering parts to customers, the team is concentrating on smarter and more aligned ways of performing work. As they design new processes, the team is making use of leading practices from the private sector as they best apply to the Air Force. For the proposed To-Be processes, the team has identified the high-level functional requirements for near-term and long-term IT support. These requirements are the core of an operational architecture that is being integrated with the Air Force LogEA architecture.

To communicate enterprise-wide goals, monitor progress, and manage performance, the PSCM team has developed a *balanced scorecard* with clear, quantifiable performance metrics and targets that balance customer, financial, process, and people requirements.

The team will continue to conduct gap analyses to identify discrepancies of skills, IT, and processes between As-Is and To-Be environments. These gaps will be key inputs to our roadmap of initiatives that will be derived over the next months. The team will initiate job and organizational design to enable the new processes. Finally, the PSCM team will work collaboratively with the LogEA team to develop the overall Air Force transformation business case.

By April 2004, the PSCM team will deliver an enterprise-wide implementation plan that addresses redesigned processes, new job roles, training for these new jobs, a business case for enabling technology, and a PSCM organizational construct. As the transformation advances toward that milestone, the PSCM team is launching several wide-scale communications campaigns to help employees learn more about PSCM and get involved in the transformation.

Depot Maintenance Transformation

Beginning in April 2003 and through the summer of 2003, the DMT team—composed of maintenance, financial, and supply managers from Headquarters AFMC, the three air logistics centers, and aerospace maintenance and regeneration centers—performed Business Process Reengineering by taking a lean approach to integrate process improvements on the shop floor with production support processes. The team considered the challenges facing the Air Force and provided direction for future depot maintenance operations. Their strategy implements continuous improvement; the flow of standard work in cells to include no stops, piles, or backups; a pull, on-demand system; the elimination of waste in the value stream; a tailored logistics strategy; and a single, integrated system supporting the process. Innovative depot maintenance processes ensure a robust, modern, and reliable capability to support the warfighter.

In October 2003, a Red Team reviewed the DMT transformation results. Air Force, Navy, and other stakeholder organizations, as well as private industry leaders, reviewed the DMT future state and action plan and assessed the effectiveness of new DMT processes. Primary recommendations from the review included better defining and deploying an overarching governance model that supports and guides the DMT implementation and decisionmaking process. The second major recommendation was to develop robust DMT performance measurement and change management processes. These processes will play a critical role in the success of the DMT initiative and provide measurable and controllable tools that ensure DMT meets its stated goals and objectives.

In November 2003, the depots will implement four depot maintenance trailblazers. The trailblazers are four F-15 weaponsystem product lines at the air logistics centers that will be used to define and prove the reengineered depot maintenance processes. The four trailblazers include the following product lines:

- F-15 program depot maintenance line at Warner Robins ALC
- F100 engine at Oklahoma City ALC
- F-15 landing gear at Ogden ALC
- F-15 avionics shop at Warner Robins ALC

The trailblazers will define and demonstrate improved ways of providing production support to a lean repair line. Trailblazer teams will take the high-level business processes defined by the DMT team and, through a series of lean events and actual implementation, detail the lean solution for the command. The four efforts will share ideas and coordinate to define the DM business processes at the right level to export the best practices to the rest of the DM community.

It will be necessary for multiple shops in multiple locations to communicate and work together to ensure transition to lean production for the F-15. Metrics must be designed to assess the changes accurately and determine their impact on the trailblazer lines. Weapon system availability and war readiness engines will be assessed at the beginning, during, and after the trailblazer to evaluate the effort's impact.

Each trailblazer shop will go through a series of steps to stand up and implement the new process. First, each shop will be assessed to determine where it is at the beginning of the process. This includes documenting the current configuration and capabilities. In addition, all shop employees will be educated on the initiative, reasons for transformation, and why they play an integral role in the future success of the command. Standard education and training will be developed by the DMT Team as part of the overall change management. Following education and training of the trailblazer personnel, each shop will conduct a series of lean events to lean the shop floor and production support, develop planning and scheduling processes, and develop a tailored logistics support plan for the shop.

Summary

Sustainment transformation represents a revolutionary change to the way logistics does business for the Air Force. For this transformation to be successful, the two teams recognize that senior logistics leaders, managers, and the workforce must embrace the new sustainment approaches and claim ownership of the transformation. Indeed, the efforts of all these stakeholders are essential to fully engage and gain the support of customers and suppliers and take full advantage of the process improvements brought about by sustainment transformation.

To this end, the PSCM and DMT Teams are working together to develop coordinated change management plans. The teams have launched awareness and understanding campaigns to communicate to their respective logistics communities that a transformation is coming and that this change is good for the Air Force; its employees; vendors; and especially, the warfighter. In addition, the teams are enlisting sponsors and mobilizing change agents to support the transformation. By working collaboratively across the enterprise versus operating as individual transformation efforts, the PSCM and DMT Teams are increasing their effectiveness and maximizing cost-saving opportunities, which will present a positive impact to the warfighter.

As the teams chart the future, they are inspired by the eLog21 vision that AFMC will be the sustainment supplier and maintainer of choice for worldwide weapon systems, parts, and equipment support. New processes will require new job roles, skills, ways of working and thinking, and tools. They also will require changes to policies, authorities, and organizational constructs. Although these changes will not be easy or occur overnight, Air Force leaders are committed to implementing sustainment transformation and seeing it through to ultimate success.

You Are Invited to Learn More!

Do you want to learn more about PSCM or DMT? Please watch for upcoming fact sheets and newsletters, attend briefings, and browse our growing Web sites: PSCM at https://www.ripit.wpafb.af.mil/PSCM/PSCM.html or DMT at https://www.afmc-mil.wpafb.af.mil/HQ-AFMC/LG/lgp/lgp_/transform.htm

Would you like to get involved? Please contact the PSCM Team at PSCM.Info@wpafb.af.mil or the DMT point of contact, Sandra Wimberly at sandra.wimberly@wpafb.af.mil. We encourage you to share your ideas, get involved, and remain positive in learning new ways to do our business.

Points of Contact

- PSCM Co-Project Manager: Marie Tinka, Deputy Chief, Supply Management
- PSCM Co-Project Manager: Scott Correll, Chief, Logistics Contracting Division
- DMT Project Manager: Sue Dryden, Deputy Chief, Depot Maintenance Division
- ILI (eLog21 Campaign): Colonel Paul Dunbar, Deputy Director, ILI

Wing Commander Leatham is currently on exchange with the Air Force and is serving on the Air Staff as Deputy Division Chief, Purchasing and Supply Chain Management, Directorate of Innovation and Transformation. He is also a member of the AFMC PSCM Integrated Project Team and author of the Air Force Installations Purchasing and Supply Chain Management Concept of Operations.

"Injecting Commercial and Innovative Practices into Operational Contracting" continued from page 20)

moving in the direction it is. Learning what the other services, as well as the Air Force, are doing to increase commercial and innovative practices at the operational level is important to understanding where they currently stand. Being aware of the current guides and assistance available today is paramount.

Interjecting commercial and innovative practices into Air Force operational contracting is about ensuring contracting professionals are given the opportunity to grow, feel empowered, embrace change, and always be able to believe there is somewhere to go to find an answer to a question. Operational contracting commanders and chiefs must make it happen.

Notes

1. J. S. Gansler, Under Secretary of Defense (Acquisition and Technology), memorandum to Secretaries of the Military Departments; Director, Defense Contract Management Agency; and Director, Defense Logistics Agency, subject: Commercial Acquisitions Memo, 5 Jan 01.
2. Donald Rumsfeld, Secretary of Defense, memorandum to Secretaries of the Military Departments, et al, subject: Legislative Priorities for Fiscal Year 2004, 17 Sep 02.
3. "Best Practice: Acquisition Reform," Anniston Army Depot—Anniston, Alabama, 29 Jun 01 [Online] Available: bmpcoe.org/bestpractices/internal/anad/anad_7.html.
4. "Commercial Practices," Department of the Navy Acquisition Reform topic.cfm?topic_id=37.
5. Jerry A. Walz, "A Lawyer's View of FASA—An Overview," Contract Law Division, Office of the Assistant General Counsel for Finance and Litigation, 7 Nov 94.
6. Catherine A. Shea, "A Lawyer's View of FARA," Contract Law Division, Office of the Assistant General Counsel for Finance and Litigation, 29 Mar 96.
7. Dr Ross McNutt, ACSC/DEW, "Reducing Acquisition Response Time: Creating a Fast and Responsive Acquisition System, Air Command and Staff College, Maxwell AFB, Alabama.
8. *Commercial Item Handbook*, Version 1.0, Office of the Secretary of Defense for Acquisition, Technology, and Logistics (Acquisition Initiatives) Nov 01, iv.
9. Maj Gen Perry M. Smith, USAF, Retired, *Rules & Tools for Leaders*, Garden City Park, New York: Avery Publishing Group, 1998, 161.
10. "Vision and Values," National Contract Management Association, 13 Apr 03 [Online] Available: ncmahq.org/ncmadmin/mission.
11. Base-Level Acquisition Reform, PN 97-506, Executive Summary, 1997.

AIR FORCE JOURNAL of LOGISTICS

Volume XXVII,
Number 4
Winter 2003

Contacting the Journal Staff

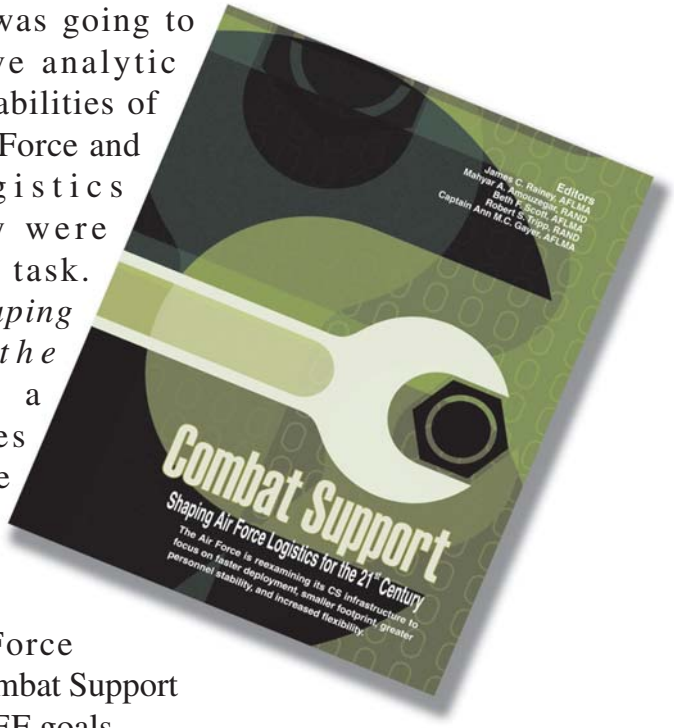
We've relocated to temporary facilities at Maxwell AFB, Alabama, while our permanent home is undergoing rennovation. Planning is for a return to the Gunter Annex address in late 2004. Our temporary address and phone numbers are listed below.

50 Chennault Circle
Maxwell AFB AL 36112-6417
Commercial 334 953-0885/0889/0890
DSN 493-0885/0889/0890

Available Now

NEW!

In 1996, shortly after Operation Desert Strike, concern about the long-term requirements of enforcing the no-fly zones, including covering *the carrier gap,* led to the initial concept of an air and space expeditionary force. At that time, the Deputy Chief of Staff, Operations, Lieutenant General John P. Jumper, realized that transforming the Air Force to a more expeditionary footing was going to require comprehensive analytic study. The unique capabilities of both RAND Project Air Force and the Air Force Logistics Management Agency were harnessed to take on this task. *Combat Support: Shaping Air Force Logistics for the 21st Century* is a compilation of articles that communicates the essentials of the analyses completed over the last 6 years. The research was conducted to help the Air Force configure the Agile Combat Support system in order to meet AEF goals.



The Editorial Advisory Board selected "German Wonder Weapons: Degraded Production and Effectiveness"—written by Major Todd J. Schollars—as the most significant article to appear in Vol XXVII, No 3 of the *Air Force Journal of Logistics*.